

RUTLAND RAILWAY CORPORATION

1964 ANNUAL REPORT

TO OUR STOCKHOLDERS:

At a Special Meeting of the Board of Directors held March 16, 1965, Frank A. Augsbury, Jr. was elected president of the Corporation to fill the vacancy occasioned by the death of William I. Ginsburg on March 13, 1965.

During the year 1964, the Stockholders adopted two amendments to the Corporation's Articles of Association broadening the Corporation's powers, enabling it to diversify its activities by entering into other types of business enterprises and providing for recapitalization.

With this authority the Corporation has been actively and vigorously investigating acquisition opportunities, its goal being to acquire a company with strong earning power and growth potential, which program will be vigorously pursued during the year 1965.

Also during the year 1964 negotiations were continued with Philip J. Levin and Affiliated Companies of Plainfield, New Jersey, resulting in a tentative agreement for the erection of a shopping center on the former Rutland Yard property. This shopping center will be a million dollar plus project and is a joint venture between this Corporation and Philip J. Levin and Affiliated Companies. The center is expected to be at least partially completed and in operation by November, 1965.

The former right of way in Vermont, excluding some abutting portions, has been sold to the State of Vermont; 92.5 miles of track and fastenings in New York State have been sold. The sale of our Ogdensburg Yard property, together with approximately 25 miles of right of way to the Ogdensburg Bridge and Port Authority, has not yet been finalized.

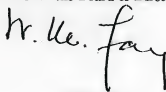
Some six million dollars has been realized from the sale of properties, materials and equipment; of which \$2,333,200 was paid to the Stockholders of the former \$100 par Preferred at the time of exchange to the new \$65 Preferred. The Preferred Stockholders were paid their first quarterly dividend on December 28, 1964 and the Preferred Stockholders of record on March 19, 1965 will be paid their second quarterly dividend on March 31, 1965.

The Corporation has been operating with a small staff for the purpose of maintaining and protecting its remaining assets and disposing of its equipment and property.

Pursuant to order of the Interstate Commerce Commission dated September 18, 1962, as amended and modified, the Corporation has terminated its status as a carrier under the Interstate Commerce Act and no subsequent activities have resulted in Rutland acquiring a carrier status.

The Directors and Officers again wish to express their appreciation for the support of our Stockholders.

By Order of the Board of Directors

A handwritten signature in dark ink, appearing to read "W. K. Fay", is written over the printed name of the Chairman.

CHAIRMAN

In Memoriam

William Irving Ginsburg

August 5, 1898 - March 13, 1965

William Irving Ginsburg, President of Rutland Railway Corporation, passed away in New York City on March 13, 1965.

He had been a Director of this Corporation since November 1, 1950 and became President on July 1, 1959. He contributed materially to the establishment of the Rutland Railway Corporation. Despite the demands of his other offices, he expended great energy, effort and perseverance for the benefit of our Corporation. He will be sincerely mourned and grievously missed.

Mr. Ginsburg is survived by his wife, Hilda M. Ginsburg, and two sons, Stanley and Gary, presently residing at the Hotel Bardwell, Rutland, Vermont.

Possessed of a keen mind, outstanding ability, genial personality and high sense of honor, he commanded the respect of all those associating or having contact with him.

Upon motion duly made, seconded and unanimously carried, the following resolution was adopted:

WHEREAS, The Board has learned with deep sorrow and regret of the death of its President, William I. Ginsburg, therefore,

BE IT RESOLVED, That the Board desires to express its sincere appreciation of the devoted, meritorious and faithful service rendered by Mr. Ginsburg, and

BE IT FURTHER RESOLVED, That this Memorial be made a part of the records of the Board of Directors of Rutland Railway Corporation and that a copy thereof be forwarded to Mrs. Ginsburg as an expression of sincere sympathy and of the high esteem in which he was held by his associates and friends.

Rutland Railway Corporation

Balance Sheet, December 31, 1964

ASSETS

Cash	\$ 168,048
Time deposits and certificate of deposit	3,300,000
Accrued interest receivable	46,065
Instalment note receivable on sale of equipment	55,733
Due from Ogdensburg Bridge and Port Authority (Note 2)	625,500
Other receivables	93,042

PROPERTIES:

Land, buildings, equipment, and replacement parts and supplies—held for disposal (at estimated realizable value—Note 1)	1,366,989
Land, buildings, and office equipment—held for future operations (at depreciated cost)	364,237

OTHER ASSETS:

Restricted funds	171,315
Miscellaneous investments, etc.	18,972

TOTAL ASSETS	\$6,209,901
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LIABILITIES AND SHAREHOLDERS' EQUITY

LIABILITIES:

Accounts payable	\$ 15,906
Employee withholdings	4,098
Unclaimed dividends, interest, and distribution upon preferred stock exchange (payable from restricted funds)	139,661
Deposit received on proposed sale of property	50,000
Accrued real estate and other taxes	50,259
Other accrued expenses	19,462
Casualty and other claims	46,589

TOTAL LIABILITIES	325,975
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SHAREHOLDERS' EQUITY (Note 3):

Capital stock:

6% cumulative preferred, \$65 par value—authorized, 46,804 shares; issued and outstanding, 46,664 shares	\$3,033,160
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Common, \$1 par value—authorized, 106,916 shares; issued and outstanding, 60,112 shares	60,112
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Capital Surplus	5,385,636
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Deficit	(2,504,982)
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NET SHAREHOLDERS' EQUITY	5,883,926
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TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$6,209,901
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NOTES TO FINANCIAL STATEMENTS, FOR THE YEAR ENDED DECEMBER 31, 1964

1. SALE AND WRITE-DOWN OF PROPERTIES

During 1964 the Corporation sold a substantial portion of its properties in accordance with an order issued as of August 1, 1963 by the Interstate Commerce Commission authorizing the abandonment of the Corporation's entire line of railroad and its operations, which were discontinued in 1961. The aggregate loss sustained on the sale of properties is reflected in the accompanying statement of loss and deficit, together with a write-down of properties unsold at December 31, 1964 to management's estimated realizable value of \$1,366,989.

2. AGREEMENT WITH OGDENSBURG BRIDGE AND PORT AUTHORITY

In accordance with an agreement dated November 13, 1963 with the Ogdensburg Bridge and Port Authority, the Corporation sold to the Authority certain real estate located in Ogdensburg, New York, and the railroad line between Ogdensburg and Norwood, New York for a total of \$675,500. Pending the satisfactory conclusion of certain negotiations with agencies of the United States Government, the Authority has withheld payment for these properties (except for a \$50,000 down payment) and has the right to reconvey their title to the Corporation. Should such reconveyance occur, it is the opinion of management that the sale price per the agreement could be realized through other disposition of the properties.

3. RECAPITALIZATION

As authorized at a special meeting of the stockholders on September 18, 1964, each share of the Corporation's old 5% cumulative preferred stock, \$100 par value, was exchanged as of October 8, 1964 for (a) one share of new 6% cumulative preferred stock, \$65 par value, (b) a cash distribution of \$50, which eliminated the maximum dividend arrearage of \$15 per share on the old stock (total arrearage of \$699,960 charged to capital surplus), and (c) a ten-year common stock warrant entitling the holder to purchase one share of common stock at \$40 per share during the first three years, \$45 per share during the next three years, and \$50 thereafter. The warrants are not exercisable and the ten-year period does not commence until there is in effect a registration statement under the Securities Act of 1933. Warrants for 46,664 shares were outstanding at December 31, 1964.

The stockholders also authorized a reduction in the par value of the Corporation's common stock from \$100 to \$1 per share with the total of such reduction, \$5,951,088, being transferred from the common stock account to capital surplus. Concurrently, the number of authorized shares of common stock was increased from 60,112 to 106,916, of which 46,664 shares were reserved at December 31, 1964 for issuance upon exercise of the warrants described above.

Rutland Railway Corporation

STATEMENT OF CAPITAL SURPLUS

For the Year Ended December 31, 1964

BALANCE AT BEGINNING OF YEAR.....	\$ 181,406
Transfer from common stock account of reduction in par value thereof (Note 3)...	5,951,088
TOTAL.....	6,132,494
DEDUCT:	
Premium paid on purchase and retirement of 140 shares of 5% preferred stock.....	\$ 1,400
Dividend arrearage on 5% preferred stock (Note 3)—\$15 per share.....	699,960
Dividend on 6% preferred stock—97½ cents per share.....	45,498
	746,858
BALANCE AT END OF YEAR.....	\$5,385,636

See notes to financial statements

STATEMENT OF LOSS AND DEFICIT

For the Year Ended December 31, 1964

LOSS ON SALE OF PROPERTIES AND WRITE-DOWN OF UNSOLD PROPERTIES TO ESTIMATED REALIZABLE VALUE (Note 1).....	\$1,239,441
EXPENSES:	
Cost of maintaining properties and administrative and general expenses....	403,567
Real estate and payroll taxes.....	83,386
TOTAL.....	1,726,394
LESS REVENUES:	
Equipment and other rentals.....	\$ 146,902
Interest earned.....	140,318
Miscellaneous.....	9,567
	296,787
NET LOSS.....	1,429,607
DEFICIT AT BEGINNING OF YEAR.....	1,165,375
DEFICIT AT END OF YEAR.....	\$2,594,982

See notes to financial statements.

HASKINS & SELLS
 CERTIFIED PUBLIC ACCOUNTANTS

80 Federal Street
 Boston 02110

ACCOUNTANTS' OPINION

RUTLAND RAILWAY CORPORATION:

We have examined the balance sheet of Rutland Railway Corporation as of December 31, 1964 and the related statements of loss and deficit and of capital surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, subject to the amount which may be realized from the properties held for disposal, carried at \$1,366,989 in the accompanying balance sheet (see Note 1), the accompanying financial statements present fairly the financial position of the Corporation at December 31, 1964 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Haskins & Sells

March 16, 1965